

STATEMENT OF PURPOSE

RS19973

Currently the amount of unemployment insurance benefits paid out to corporate officers who temporarily separate from employment and later return to work for the same corporate employer exceeds the amount of unemployment contributions paid on their behalf by a ratio of 7 to 1. Corporate officer claimants for the 4th quarter of 2007 through the 4th quarter of 2009 paid into the Unemployment Insurance Trust Fund \$5.8 million, but received \$42 million in benefits. Some of these corporate officers lay themselves off from work to obtain unemployment insurance benefits, while continuing to work without pay for their corporate employers.

To correct this problem, the Department would amend the Employment Security Law to allow corporations to exempt from coverage certain corporate officers. For corporations who do not elect this exemption, a corporate officer would not be “unemployed” for unemployment insurance purposes unless the corporation was dissolved or the corporate officer was removed from office according to the corporation's articles of incorporation or bylaws.

FISCAL NOTE

There is no fiscal impact to the General Fund or to local government funds.

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